



First Quarterly Report

For the three months ended 31 January 2006

B.A.L.
B.A.L. Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the “Directors”) of B.A.L. Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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HIGHLIGHTS

- Turnover of the Group for the three months ended 31 January 2006 amounted to approximately HK\$28.5 million, representing an increase of approximately 66 per cent as compared with the same period in the last year.
- Net profit of the Group for the three months ended 31 January 2006 amounted to approximately HK\$1.9 million, representing an increase of approximately 284 per cent as compared with the same period in the last year.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2006.

The board (the “Board”) of directors of B.A.L. Holdings Limited (the “Company”) would like to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the three months ended 31 January 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended 31 January	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	28,472	17,199
Cost of sales		<u>(215)</u>	<u>(62)</u>
Gross profit		28,257	17,137
Other revenue	3	<u>643</u>	<u>16</u>
		28,900	17,153
Selling and distribution costs		<u>(20,505)</u>	<u>(13,278)</u>
Administrative expenses		<u>(6,402)</u>	<u>(3,235)</u>
Other operating expenses		<u>-</u>	<u>-</u>
		<u>(26,907)</u>	<u>(16,513)</u>
Profit from operations		1,993	640
Finance costs		<u>(2)</u>	<u>(63)</u>
Profit before income tax		1,991	577
Income tax expense	4	<u>(734)</u>	<u>(84)</u>
Profit for the period		<u>1,257</u>	<u>493</u>
Attributable to:			
Equity holders of the Company		1,889	492
Minority interests		<u>(632)</u>	<u>1</u>
Profit for the period		<u>1,257</u>	<u>493</u>
			(restated)
Earnings per share			
– Basic	5(a)	<u>0.45 cent</u>	<u>0.19 cent</u>
			(restated)
Earnings per share			
– Diluted	5(b)	<u>0.45 cent</u>	<u>0.19 cent</u>

Notes:

1. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31 October 2005 except the following:

Changes in accounting policies

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and or revised Interpretations, herein collectively referred to as the "new HKFRSs", which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRSs for the first time in the current period under review.

The major effect of adoption of the new HKFRSs is summarized as follows:

The adoption of HKFRS 2 - Share-based Payments requires all share options granted to employees or other parties to be recognized in the financial statements. The fair value of the share options at acceptance date will be amortized over the relevant vesting periods to the consolidated income statement. HKFRS 2 has been applied retrospectively for share options granted to employees after 7 November 2002 and not vested at 1 November 2005. Following the adoption of this accounting policy, the amount of employee share-based expenses of approximately HK\$NIL and approximately HK\$337,000 were charged to the consolidated income statements for the quarter ended 31 January 2005 and 31 January 2006 respectively. The adoption of HKFRS 2 has resulted in an increase in the balance of accumulated losses at 1 November 2005 of approximately HK\$0.6 million (1 November 2004: NIL), with a corresponding adjustment to the share-based compensation reserve, representing the cumulated effect of the change in policy on the results for the periods prior to 31 October 2005.

The Group has not early adopted the new accounting standards and interpretations that have been issued but not yet effective.

2. Turnover

Turnover represents (a) the invoiced value of beauty products sold less discounts and sales returns and (b) services income generated from the provision of beauty services during the period after the elimination of all material inter-company transactions within the Group.

	(Unaudited) Three months ended 31 January	
	2006	2005
	HK\$'000	HK\$'000
(a) Turnover by business segment		
Retails and wholesales of beauty products	626	159
Beauty services	26,909	17,040
Tuition fees of beauty courses	937	-
	<hr/>	<hr/>
Total:	28,472	17,199
	<hr/> <hr/>	<hr/> <hr/>

	(Unaudited) Three months ended 31 January	
	2006	2005
	HK\$'000	HK\$'000
(b) Turnover by geographical segment		
Hong Kong	25,016	17,199
China	922	-
Macau	2,534	-
	<hr/>	<hr/>
Total:	28,472	17,199
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3. Other Revenue

Other revenue mainly consists of interest income, sub-rental income, dividend and sundry income during the period.

4. Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. Earnings Per Share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$1,889,000 (2005: HK\$492,000) and the number of 419,462,918 (2005: weighted average number of 259,142,123 (restated)) ordinary shares in issue during the period.

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$1,889,000 (2005: HK\$492,000) and the weighted average number of 419,462,918 (2005: weighted average number of 259,142,123 (restated)) ordinary shares in issue during the period plus the weighted average number of 116,973 (2005: 197,737 (restated)) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

6. Issued capital

	2006		2005	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i> (restated)	<i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<u>800,000,000</u>	<u>80,000</u>	<u>400,000,000</u> (restated)	<u>40,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.1 each	<u>419,462,918</u>	<u>41,946</u>	<u>264,093,188</u> (restated)	<u>26,409</u>

Changes in the issued share capital of the Company during the year of 2005 were as follows:

In January 2005, the Company entered into a conditional subscription agreement supplemented by a supplemental agreement with Everproven Limited. Pursuant to the agreements, 480,000,000 shares were issued in February 2005 at a price of HK\$0.0216 per share to Everproven Limited.

On 29 April 2005, "the authorized share capital of the Company has been increased from HK\$40,000,000.00 to HK\$80,000,000.00 by the creation of 4,000,000,000 new shares of HK\$0.01 each ranking pari passu in all respects with the existing shares of the Company."

With effect from 3rd May, 2005, every ten (10) ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company have been consolidated into one (1) share of HK\$0.10 ("the Consolidated Share") and the Consolidated Shares resulting from such share consolidation rank pari passu in all respects with the other shares.

Subsequent to the Company's proposal in April 2005 to issue Offer Shares at HK\$0.1 each by way of open offer, payable in full on application, on the basis of one Offer Share for every three shares held, the Company has raised additional capital of HK\$10,419,773 in June by the issue of 104,197,730 shares of HK\$0.1 each.

During the year, share options were exercised to subscribe for 17,642,000 shares for total cash consideration of approximately HK\$3,533,000.

The premium totalling approximately HK\$7,337,000 arising from the above subscription and exercise of share options has been credited directly to the share premium account.

7. Reserves

The Group

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.11.2004	18,816	(68,253)	28,327	-	(21,110)
Prior period adjustments arising from the adoption of HKFRS 2	-	(589)	-	589	-
Allotment of shares	5,568	-	-	-	5,568
Exercise of share options	1,769	-	-	-	1,769
Profit for the year	-	17,619	-	-	17,619
At 31.10.2005, as restated	26,153	(51,223)	28,327	589	3,846
Share-based expenses	-	-	-	337	337
Profit for the period	-	1,889	-	-	1,889
As at 31.1.2006	26,153	(49,334)	28,327	926	6,072

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Retail and Direct Sales

In retail and direct sales operations, the Group is engaged in the sale of various branded beauty products.

During the period under review, retail and direct sales operations accounting for approximately 2% of the Group's total turnover. Turnover from these operations was approximately HK\$626,000 for the period, representing an increase of approximately 294% as compared with the first three months of the previous year.

Beauty Services Operations

Turnover from this segment amounted to approximately HK\$27 million for the first three months ended 31 January 2006, representing approximately 58% increase as compared with the corresponding period in the previous year. The core business of the Group, (beauty services) is still growing and profitable, forming a stable foundation for the business growth in future years.

During the period under review, the Group has been operating ten beauty services centers/direct sales centers in Hong Kong, Macau & China, one nail shop, one beauty course training centre and one warehouse in Hong Kong.

Financial Review

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows. The Group's cash and bank balance as at 31 January 2006 was approximately HK\$7.4 million (2005: HK\$1.4 million). Aggregate trade payables and other borrowings and liabilities as of 31 January 2006 amounted to approximately HK\$6.3 million (2005: HK\$12 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 January 2006.

Significant investments

As of 31 January 2006, the Group did not have any significant investments.

Employee

As at the date hereof, the Group employs approximately 321 employees. The Group's remuneration packages are generally structured with reference to market terms and individual merit.

Contingent liabilities

As at 31 January 2006, the Company has given corporate guarantees to third parties for securing a tenancy agreement and an advertising contract of subsidiary Companies.

SHARE OPTION SCHEMES

- (a) On 24th September, 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

During the period, 37,644,000 share options (after share consolidation of every ten (10) ordinary of HK\$0.01 each into one (1) share of HK\$0.10 on 3 May 2005) were granted by the Company under the Scheme and 18,108,041 share options remain outstanding.

Details of share options before the share consolidation:

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/1/2006	Exercisable Period
Employees	8/9/2004	0.0206	73,980,000	(73,980,000)	-	10/9/2004 - 9/3/2006
Directors	8/9/2004	0.0206	49,720,000	(49,720,000)	-	10/9/2004 - 9/3/2006
Employees	12/10/2004	0.0198	24,860,000	(24,860,000)	-	15/10/2004 - 14/4/2006
Total:			148,560,000	(148,560,000)	-	
Sub-total (After share consolidation):			14,856,000	(14,856,000)		

Details of share options after the share consolidation and open offer:

Type of Grantee	Date of grant	Exercise Price per share HK\$	No. of Options granted	Exercise/ Lapsed during the period	Outstanding no. of Options as at 31/1/2006	Exercisable Period
Employees	10/8/2004	0.025/0.212*	1,068,000*	(1,068,000)	-	18/2/2005 - 28/2/2006
Employees	14/1/2005	0.0186/0.164*	2,828,000*	(2,828,000)	-	14/1/2005 - 16/6/2006
Directors	14/1/2005	0.1657*	228,000*	-	255,908	20/1/2005 - 19/6/2006
Employees	15/2/2005	0.1728*	224,000*	(39,284)	212,133	18/8/2005 - 7/9/2006
Employees	20/6/2005	0.345	6,000,000	-	6,000,000	22/6/2005 - 21/12/2006
Consultant	27/6/2005	0.373	2,000,000	-	2,000,000	6/7/2005 - 5/7/2007
Employees	5/7/2005	0.372	10,440,000	(800,000)	9,640,000	21/7/2005 - 20/7/2007
Sub-total:			22,788,000	(4,735,284)	18,108,041	
Grand Total:			37,644,000	(19,591,284)	18,108,041	

* The Summary of adjusted exercise price and number of share options which have been granted and are outstanding after the completion of share consolidation on 3 May 2005 and acceptance of open offer on 21 June 2005 are as follows. The calculation is based on the supplementary guidance of the GEM Listing Rules.

Type of Grantee	Original Exercise Price	Original number of share option	Adjusted Exercise Price	Adjusted number of option	Outstanding number of share option
Employees	HK\$0.0250	10,680,000	HK\$0.212	1,068,000	-
Employees	HK\$0.0186	28,280,000	HK\$0.164	2,828,000	-
Directors	HK\$0.0186	2,280,000	HK\$0.1657	255,908	255,908
Employees	HK\$0.0194	2,240,000	HK\$0.1728	251,417	212,133

- (b) On 24th September, 2001, pursuant to the Pre-IPO Share Option Scheme, options to subscribe for 35,000,000 shares were granted to certain directors, employees, consultants and advisers of the Group. After the issuance of the rights issue and bonus issue approved at the extraordinary general meeting of the Company on 3rd January, 2003, the number of option shares was adjusted to 245,000,000. The adjusted exercise price of the share options is HK\$0.044.

During the year, no options were exercised under the Pre-IPO Share Option Scheme and all these options have lapsed upon the expiry of the exercise period of a duration of three years from the commencement of the trading of the shares on the GEM.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 January, 2006, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange of Hong Kong Limited, were as follows:

(a) Long positions in the shares of the Company

Name	Approximate Type of interest	No. of shares	percentage of interest
Mr. Leung Kwok Kui	Personal	3,300,000	0.79
Ms. Siu York Chee	Personal	36,320,000	8.66
Mr. Lai Tin Ying, Michael (alias Lai Siu Tin)	Personal	765,251	0.18

(b) Long positions in underlying shares of equity derivatives of the Company

The Directors had personal interests in share options granted by the Company during the period to subscribe for shares in the Company are as follows:

Name	Number of share options granted (Restated)	Cancelled/ Lapsed	Outstanding at 31st January, 2006
Ms. Siu York Chee	127,954	-	127,954
Mr. Leung Kwok Kui	127,954	-	127,954

(c) Short positions in shares and underlying shares of equity derivatives of the Company

Save as disclosed herein above, as at 31st January, 2006, none of the Directors has short positions in shares or underlying shares of equity derivatives.

SUBSTANTIALS SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 January, 2006, so far as is known to any Director or chief executive of the Company, the interest and short position of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(a) Long position in the shares of the Company

Name	Number of Shares	Percentage of Issued Share Capital
Ms. Lam Yin Ming, Amy (<i>Note 1</i>)	52,680,000	12.56
Everproven Limited (<i>Note 2</i>)	64,090,651	15.28

Notes:

- 1) Ms. Lam Yin Ming, Amy acquired these shares of the Company (the "Shares") through the rights issue and the bonus issue which were completed in January 2003 and February 2003 respectively. Presently Ms. Lam Yin Ming, Amy does not have management role nor board representation in the Group.
- 2) Everproven Limited, a substantial shareholder of the Company, is beneficially owned by Mr. Chan Boon Ho.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives.

BOARD PRACTICES AND PROCEDURES AND CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company was in compliance with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code of Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial period ending 31 October 2006.

AUDIT COMMITTEE

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee (the "Committee") comprises three independent non-executive Directors, namely Mr. Hung Anckes Yau Keung, Mr. Ko Sin Ming and Dr. Siu Yim Kwan, Sidney. Mr. Hung Anckes Yau Keung is also the chairperson of the audit committee of the board of Directors. The primary duties of the Committee are to review the Company's annual report and accounts, half-year report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of The Group purchased, sold or redeemed any of The Group's listed securities during the period from 1 November 2005 to 31 January 2006.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business which competes or may compete with the business of The Group.

LIST OF DIRECTORS

Ms. Siu York Chee, Doreen	-	Executive Director
Mr. Leung Kwok Kui	-	Executive Director
Mr. Lai Tin Ying, Michael	-	Non-executive Director
Mr. Hung Anckes Yau Keung	-	Independent Non-Executive Director
Mr. Ko Sin Ming	-	Independent Non-Executive Director
Dr. Siu Yim Kwan, Sidney	-	Independent Non-Executive Director

By order of the Board
B.A.L. Holdings Limited
Siu York Chee
Chairperson

Hong Kong, 14 March 2006